

BUSINESS MEETING
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the Matter of:)
)
Business Meeting)
)
_____)

CALIFORNIA ENERGY COMMISSION
HEARING ROOM A
1516 NINTH STREET
SACRAMENTO, CALIFORNIA

WEDNESDAY, JANUARY 21, 2004

10:06 A.M.

Reported by:
Peter Petty
Contract No. 150-01-006

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMISSIONERS PRESENT

William J. Keese, Chairman

Arthur H. Rosenfeld

James D. Boyd

John L. Geesman

STAFF PRESENT

William Chamberlain, Chief Counsel

Robert Therkelsen, Executive Director

Betty McCann

Gary Klein

Chuck Najarian

Lance Shaw

Donna Stone

Ila Lewis

Arlene Ichien

PUBLIC ADVISER

Nick Bartsch

ALSO PRESENT

Jeffery D. Harris, Attorney
Ellison, Schneider and Harris, LLP

Bob McCaffrey, General Manager
Calpine Corporation

Gary S. Rubenstein
Sierra Research

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P R O C E E D I N G S

10:06 a.m.

CHAIRMAN KEESE: Good morning. I'll call this meeting of the Energy Commission to order one more time. Commissioner Boyd, would you lead us in the Pledge, please.

(Whereupon the Pledge of Allegiance was recited in unison.)

CHAIRMAN KEESE: Before we start the proceeding I would like to mention that we had requested an exception from the Governor's Office on item 10, residential clothes washer standards.

The Governor's Office evidently is very occupied in the budget and other matters, and we have not gotten that exception. So, unfortunately, we're going to have to put that item over to our next meeting. Apologize to everyone in the audience who's here, staff and private enterprise. That item's off until the next meeting.

Consent calendar. Let me make one comment regarding the consent calendar. While this is an \$11 million item, these are funds that either were not spent, contracts that came in under budget or contracts which the time ran out.

1 Therefore, this is really a ministerial action.

2 I'd like a motion on the consent calendar.

3 COMMISSIONER ROSENFELD: I move the
4 consent calendar.

5 CHAIRMAN KEESE: Motion, Commissioner
6 Rosenfeld.

7 COMMISSIONER GEESMAN: Second.

8 CHAIRMAN KEESE: Second, Commissioner
9 Geesman.

10 CHAIRMAN KEESE: All in favor?

11 (Ayes.)

12 CHAIRMAN KEESE: Opposed? Adopted four
13 to nothing.

14 Item 2, the American Council on
15 Renewable Energy (ACORE). Possible approval of
16 contract 500-03-023 for a three-year PIER
17 membership agreement with the American Council on
18 Renewable Energy.

19 MR. KLEIN: Good morning.

20 CHAIRMAN KEESE: Good morning.

21 MR. KLEIN: Good morning; my name is
22 Gary Klein.

23 CHAIRMAN KEESE: Thank you.

24 MR. KLEIN: Renewable energy is
25 contributing to California's goals for economic

1 growth, social development, energy security and
2 environmental protection, promising a brighter,
3 safer and cleaner future for this and future
4 generations.

5 While we have enjoyed some early
6 successes, continued success will require a joint
7 effort of many different participants in the
8 renewable energy community working together.
9 Today, while there are advocates and
10 representatives of individual renewable energy
11 technologies in the United States, no single
12 organization brings them all together in an all
13 renewables joint effort.

14 The American Council on Renewable
15 Energy, ACORE, was founded in 2001 as a unifying
16 form for renewable energy in America; and is the
17 American participant in the World Council for
18 Renewable Energy.

19 As you know, California has a mandate
20 for the RPS standards for the IOUs to provide 20
21 percent of their electricity from renewable
22 sources by 2017. In addition, the Integrated
23 Energy Policy Report has proposed accelerating
24 this to 2010. Membership and active participation
25 in ACORE will help California broaden the

1 investment base that's needed to achieve these
2 goals. And staff recommends adoption of this
3 item.

4 CHAIRMAN KEESE: Thank you.

5 COMMISSIONER GEESMAN: Mr. Chairman.

6 CHAIRMAN KEESE: Commissioner Geesman.

7 COMMISSIONER GEESMAN: I would add to
8 Mr. Klein's statement that the Governor has also
9 embraced that 20 percent goal for the year 2010
10 and suggested that we establish a 30 percent goal
11 for the year 2020.

12 And in light of the leadership position
13 in California intends to exercise in this field I
14 would move the item.

15 CHAIRMAN KEESE: Motion, Commissioner
16 Geesman.

17 COMMISSIONER ROSENFELD: Second.

18 CHAIRMAN KEESE: Second, Commissioner
19 Rosenfeld.

20 CHAIRMAN KEESE: Any more comment?
21 Public comment?

22 All in favor?

23 (Ayes.)

24 CHAIRMAN KEESE: Opposed? Adopted four
25 to nothing. Thank you.

1 MR. KLEIN: Thank you.

2 CHAIRMAN KEESE: Item 3, Redding Peaking
3 Plant. Possible approval of a petition to modify
4 the conditions of an exemption to remove
5 electricity production restrictions.

6 MR. NAJARIAN: Good morning. My name is
7 Chuck Najarian. I'm the Power Plant Compliance
8 Program Manager. I'll be speaking for Connie
9 Bruins, who is the Project Manager for the Redding
10 Peaking Project.

11 By way of background this is a 73
12 megawatt natural gas fired peaking plant located
13 in the City of Redding. It's owned and operated
14 by the City of Redding electric utility.

15 The project received a small power plant
16 exemption from the Commission in May of 1993.
17 It's been operational since November of 1995. As
18 a condition of exemption the SPPE required the
19 City of Redding to operate the facility as a
20 peaking project and limit energy production to
21 approximately 138 gigawatt hours annually.

22 In 2001 the Commission approved a
23 petition to temporarily remove the electricity
24 production restrictions. And this was in response
25 to the energy crisis.

1 On November 19, 2003, the City submitted
2 a petition to staff to permanently remove the
3 electricity production restrictions.

4 Potential for increased emissions will
5 be offset by permanent surrender of emission
6 reduction credits. Air quality conditions of
7 exemption will effectively limit production to
8 approximately 238 gigawatt hours annually.

9 Operational history in the past three
10 years indicate that it is extremely unlikely that
11 there would be production in excess of 2001
12 generation. For example, in 2001, during the
13 energy crisis, the power plant generated 130
14 gigawatt hours. And then in 2002 that dropped to
15 .7 gigawatt hours. And in '03, that dropped to .5
16 gigawatt hours.

17 The City of Redding plans to operate
18 this facility only when other units fail, or
19 there's extreme high peak load demand. In
20 addition to that, if there were major system
21 disturbances they would expect the need to operate
22 this facility.

23 The staff coordinated very closely with
24 the Shasta County Air Quality Management District
25 to insure that our analysis was consistent with

1 their work. The District concurred with the staff
2 analysis and will draft a new permit in accordance
3 with the Commission's decision on this amendment
4 petition.

5 In terms of the public process, a notice
6 of receipt was mailed to the post-certification
7 mailing list on December 2, 2003. Staff's air
8 quality analysis was mailed to the mailing list
9 and posted on the CEC website on November 19,
10 2003. No public comment or agency comment has
11 been received to date.

12 With regard to findings and
13 recommendations. With the permanent surrender of
14 the emission reduction credits staff believes
15 there will be no new or additional unmitigated
16 significant environmental impacts or violation of
17 LORS associated with these changes. The facility
18 will remain in compliance with all LORS.

19 The changes will be beneficial to the
20 public by not restricting electricity production
21 during periods of critical need.

22 There's been a substantial change in the
23 energy industry since the Energy Commission's SPPE
24 that warrants removal of production restrictions.
25 And with the permanent surrender of the offsets,

1 potential impacts will be mitigated to a level of
2 insignificance.

3 The petition meets all the fine
4 requirements of section 1769 of our regulations
5 concerning compliance of modifications.

6 The staff recommends the Commission
7 approve the petition and associated modifications
8 to air quality conditions.

9 Be happy to answer any questions at this
10 time.

11 COMMISSIONER BOYD: Mr. Chairman.

12 CHAIRMAN KEESE: Thank you.

13 Commissioner Boyd.

14 COMMISSIONER BOYD: Mr. Najarian, you
15 said the staff believes, quote, quote, quote,
16 quote, et cetera, et cetera, but in the staff
17 conclusions in -- the written staff conclusions
18 and recommendations item A, you say the staff
19 unequivocally says there will be no new or
20 additional unmitigated significant environmental
21 impacts associated with the proposed change. Is
22 that the staff's position?

23 MR. NAJARIAN: That's correct.

24 COMMISSIONER BOYD: Thank you.

25 CHAIRMAN KEESE: Thank you.

1 Commissioner Geesman.

2 COMMISSIONER GEESMAN: Move the item.

3 CHAIRMAN KEESE: Motion, Commissioner
4 Geesman.

5 COMMISSIONER BOYD: Second.

6 CHAIRMAN KEESE: Second, Commissioner
7 Boyd. Any public comment?

8 Hearing none, all in favor?

9 (Ayes.)

10 CHAIRMAN KEESE: Opposed? Adopted four
11 to nothing. Thank you.

12 Items 4 and 5 are essentially identical
13 items.

14 MR. NAJARIAN: That's correct.

15 CHAIRMAN KEESE: Item 4, Tracy Peaker
16 Power Project, 01-AFC-16C. Possible approval of a
17 petition to modify air quality conditions of
18 certification to substitute a slightly larger 300
19 kilowatt emergency diesel engine for the 250 kW
20 emergency diesel engine that was originally
21 licensed.

22 And item 5, Henrietta Peaker Power
23 Project, 01-AFC-18C. Possible approval of a
24 petition to do the same thing.

25 Mr. Najarian.

1 MR. NAJARIAN: Thank you. By way of
2 background on the Tracy Peaker Project, that's 169
3 megawatt natural gas fired plant located in
4 southwest Stockton. It's owned and operated by
5 GWF Energy, LLC. It was certified on July 17,
6 2002. It's been operational since June of 2003.

7 This petition would essentially allow
8 GWF to substitute a slightly larger 300 kilowatt
9 emergency diesel engine for what was the
10 originally anticipated 250 kilowatt emergency
11 diesel engine.

12 Even though the substitute engine is
13 slightly larger, it will actually decrease certain
14 air emissions because it's essentially a cleaner
15 burning engine. However, there will be several
16 NOx and SOx emissions that will increase slightly.
17 And these emissions will be fully mitigated.

18 Other than emergency operation the
19 engine will only be operated up to 200 hours per
20 year for maintenance and testing purposes.

21 In terms of the public process for this
22 petition, a notice of receipt was mailed to the
23 post-certification mailing list in October.
24 Staff's analysis was mailed and posted to the
25 Commission's website on December 4th. And no

1 public comment or agency comment has been received
2 to date.

3 During the staff's analysis we
4 coordinated fully with the local Air Pollution
5 Control District. The Air District concurs with
6 the staff's analysis. And the Air District
7 approved the modifications in September of 2003.

8 There will be no new or additional
9 unmitigated significant impacts associated with
10 this particular petition. There will be no
11 violation of LORS.

12 The petition meets all filing
13 requirements of section 1769. And staff
14 recommends the Commission approve the petition and
15 staff's recommended revisions to air quality
16 conditions of certification.

17 I'll be happy to answer any questions at
18 this time.

19 CHAIRMAN KEESE: I was attempting to
20 take both items up at the same time. Are you
21 prepared to -- are you discussing item 5,
22 Henrietta?

23 MR. NAJARIAN: I'd be happy to do that.

24 CHAIRMAN KEESE: Thank you.

25 MR. NAJARIAN: Essentially Henrietta is

1 the same petition to modify the project. And I'll
2 just provide a little bit of background for
3 Henrietta.

4 Henrietta is a 96 megawatt natural gas
5 fired peaking plant. It's located in Kings
6 County, California. It's owned and operated by
7 GWF Power. It was certified in March of 2002; has
8 been operational since July of 2002.

9 And as I said, the request is
10 essentially identical to the Tracy request.

11 CHAIRMAN KEESE: And there was no
12 comment?

13 MR. NAJARIAN: No public comment. There
14 was a full public review period. Staff
15 coordinated fully with the Air Pollution Control
16 District.

17 CHAIRMAN KEESE: Thank you. We have
18 items 4 and 5 in front of us.

19 COMMISSIONER BOYD: I'll move both
20 items.

21 CHAIRMAN KEESE: Motion, Commissioner
22 Boyd.

23 COMMISSIONER GEESMAN: Second.

24 CHAIRMAN KEESE: Second, Commissioner
25 Geesman. Is there any public comment on item 4 or

1 item 5?

2 Hearing none, all in favor?

3 (Ayes.)

4 CHAIRMAN KEESE: Opposed? Adopted four
5 to nothing. Thank you.

6 MR. NAJARIAN: Thank you.

7 CHAIRMAN KEESE: Item 6. Los Esteros
8 Critical Energy Facility. Possible approval of
9 petition to approve modification of temporary
10 transmission line interconnection. Calpine
11 replaced the original 2000-foot temporary
12 transmission interconnection tap line with a new
13 150-foot temporary interconnection tap line.

14 MR. SHAW: Good morning, Commissioners
15 and audience. I'm Lance Shaw.

16 Los Esteros Critical Energy facility is
17 a 180 megawatt natural gas fired simple cycle
18 plant located in San Jose in Santa Clara County.
19 It's owned and operated by Los Esteros Critical
20 Energy Facility, LLC. Was certified in July 2002;
21 operational since March 2003.

22 A summary of the request. The
23 unreplaced and original 2000-foot temporary tap
24 line with the new 152-foot temporary tap line;
25 this allowed Calpine more flexibility in

1 determining the best method for permanent
2 interconnection at a later date.

3 The new temporary tap line was installed
4 in May 2003. It interconnects the power plant
5 with a new 115 kV transmission line running
6 adjacent to the plant.

7 The Commission's decision required a
8 permanent connection to the PG&E Los Esteros
9 substation when the substation was completed. The
10 Los Esteros substation was also completed May 2003
11 at the time of the new interconnection.

12 Installation of the new temporary tap
13 line was almost completed when staff became aware
14 of it during a site visit. Staff informed Calpine
15 that the modification was not in conformance with
16 the Commission decision, and directed Calpine to
17 file a petition to request formal modification of
18 the project.

19 Staff did not prevent Calpine from using
20 the newly installed temporary tap because staff
21 conducted a preliminary analysis and determined
22 that there were no environmental, health or safety
23 impacts associated with replacing the original
24 2000-foot line with the new 152-foot
25 interconnection.

1 PG&E had already analyzed and approved
2 the new temporary interconnection tap line. PG&E
3 had almost completed the new temporary
4 interconnection tap, and was scheduled to energize
5 it within days. In fact, this was the Memorial
6 Day weekend.

7 Cal-ISO, Independent System Operator,
8 had indicated that electricity generated by Los
9 Esteros Critical Energy Facility was needed for
10 the power grid on a continuous manner to avoid
11 potential power shortages.

12 Staff informed Calpine that continued
13 long-term use of the new temporary interconnection
14 tap was contingent upon Commission approval of its
15 petition to modify the project.

16 Staff's analysis concludes that there
17 are no environmental or health and safety impacts
18 associated with replacing the 2000-foot
19 transmission line with the 152-foot tap line.

20 Calpine has apologized for not informing
21 staff of the modification, and has instituted
22 measures to help insure staff is fully informed
23 prior to any type of changes in the future. Staff
24 is satisfied with this action under these
25 circumstances.

1 Public notice process. The notice of
2 receipt was mailed to the mailing list and posted
3 on the website November 18, 2003. Transmission
4 system engineering staff analysis was mailed and
5 posted on the website December 22, 2003. Staff
6 received one inquiry from the public; no comments
7 have been submitted.

8 Agency coordination. Staff coordinated
9 with Cal-ISO on its analysis, and ISO concurs with
10 staff's findings and recommendations.

11 Findings and recommendations. Continued
12 operation of the power plant, as amended, will not
13 cause any new or additional environmental impacts.
14 The change is consistent with all LORS. The
15 petition meets all the filing criteria for section
16 1759.

17 There have been changes since the
18 project was certified in that other options for
19 permanent transmission interconnection are
20 available that may be preferable to the original
21 required interconnection.

22 I'm concluding. Staff recommends that
23 the Commission approve the request and authorize
24 Calpine to use the new temporary tap line until
25 July 2, 2005, when the AFC license expires.

1 That's three years after the final decision.

2 Note. Staff's analysis specifies use of
3 the temporary tap until June 2006. But this date
4 was beyond the expiration of the license and was
5 therefore changed in the issue memo, and the
6 proposed Commission order, to July 2, 2005.

7 Finally, in addition, staff recommends
8 requiring the installation of a new disconnect
9 selector switch to the new temporary tap to
10 improve system reliability and flexibility.

11 Questions?

12 CHAIRMAN KEESE: Thank you.

13 COMMISSIONER GEESMAN: Mr. Chairman, I
14 would move the item.

15 CHAIRMAN KEESE: Motion, Commissioner
16 Geesman.

17 COMMISSIONER ROSENFELD: Second.

18 CHAIRMAN KEESE: Second, Commissioner
19 Rosenfeld.

20 COMMISSIONER BOYD: I do have a
21 question.

22 CHAIRMAN KEESE: Commissioner Boyd.

23 COMMISSIONER BOYD: Maybe Calpine would
24 be called upon to say something, but I'll ask it
25 instead.

1 CHAIRMAN KEESE: Well, we will give the
2 audience a chance to --

3 COMMISSIONER BOYD: Comment. I'm just
4 curious why we're replacing a temporary tap line
5 with another temporary tap line. And I don't
6 think the staff, while saying this new temporary
7 connection is okay, I'm just kind of curious why
8 we're going from temporary to temporary, instead
9 of to the original permanent --

10 CHAIRMAN KEESE: That's a good opening
11 question. Would Calpine care to make a statement
12 on the issue?

13 MR. HARRIS: On to the question, yes.
14 There is a phase two application pending now,
15 Commissioner Boyd, for a conversion of the simple
16 cycle facility to combined cycle. That was filed
17 with the Commission in December of 2003, just a
18 few weeks ago. We're awaiting data adequacy.

19 As a result of that process we believe
20 all the interconnection issues will be finally
21 resolved, and that phase two license will
22 basically address that issue.

23 COMMISSIONER BOYD: Okay, thank you.

24 CHAIRMAN KEESE: Let me ask if there's
25 anyone in the public here to comment on this?

1 Seeing none, let me just ask Calpine, is
2 this institutional sensitivity to approaching the
3 Commission before actions are taken, is that
4 broader than this plant? Or is that limited to
5 Los Esteros?

6 MR. HARRIS: It did some of it -- it is
7 broader than this project. And I do want to say,
8 I think those communications have improved.

9 We have a new team on the phase two
10 project. To my right is Bob McCaffrey, who is the
11 General Manager for Calpine South, Bay Area
12 projects, which includes this project and several
13 others I could name, if you'd like.

14 Essentially, I think, you know, we're
15 looking at getting this issue behind us and moving
16 forward to phase two application and continuing
17 good relationships. One good thing about going
18 through something like this is you communicate.
19 And people are picking up the phone more quickly
20 now. I think that's a good thing.

21 CHAIRMAN KEESE: Thank you. Well,
22 having sat on the Committee that heard from staff,
23 it's obviously an action that would have been
24 approved by staff, recommended for approval by
25 staff, had it been handled in the ordinary

1 process. It's just sometimes when they come in
2 after the fact it's a little difficult to swallow
3 it.

4 We have a motion and second.

5 All in favor?

6 (Ayes.)

7 CHAIRMAN KEESE: Opposed? Adopted four
8 to nothing. Thank you.

9 MR. SHAW: Thank you.

10 CHAIRMAN KEESE: Item 7, Moss Landing
11 Power Plant. Possible approval of petition to
12 modify air emissions during startup and tuning.

13 MS. STONE: My name is Donna Stone and I
14 am the Compliance Project Manager for the Moss
15 Landing Power Plant.

16 To give you a little background, this
17 plant is owned and operated by Duke Energy; it's
18 located in Moss Landing, Monterey County. It was
19 certified by the Energy Commission on October 25,
20 2000; and it's been operational since July of
21 2002.

22 In September Duke Energy filed a
23 petition with the Energy Commission requesting
24 some changes to the air quality emissions
25 limitations during cold startup and combustor

1 tuning. They're not requesting any changes to the
2 project, itself. These modifications on the
3 emission limits apply just during the cold steam
4 turbine startup and combustor tuning on the four
5 new natural gas fired units.

6 This is information that was not known
7 prior to operations. It was discovered during
8 performance testing on the new gas turbines, that
9 during cold startup and tuning of the turbines
10 that they cannot comply with the existing hourly
11 mass emissions limits, and that they need separate
12 limitations for the cold startup and tuning
13 processes.

14 We have coordinated with other agencies.
15 We sent out a notice of receipt to the local
16 agencies, as well as everyone else on the post-
17 certification mailing list. And staff has worked
18 very closely with the Monterey Bay Unified Air
19 Pollution Control District during their analysis
20 process to insure consistency with the Air
21 District's final determination of compliance, and
22 the permit to operate. The Air District concurs
23 with the staff analysis and the mitigation.

24 This change requires changes to several
25 existing conditions that reference or constrain

1 cold startup emissions or need to include
2 combustor tuning.

3 Staff is also proposing at this time to
4 revise air quality-40 to conform to the current
5 ammonia testing requirements specified in the
6 permit to operate. And they are recommending two
7 new conditions, air quality-48 and -49, to limit
8 the number of combustion turbines that can operate
9 in support of a steam turbine cold startup, or
10 combustor tuning. And to limit the number of
11 hours per year to less than 30 that any one
12 combustor turbine can cold startup.

13 We also go on to define this cold
14 startup. That's when a unit has been down for at
15 least 72 hours.

16 The public has had an opportunity to
17 participate. We mailed out a notice of receipt on
18 September 12th to the post-certification mailing
19 list. The staff analysis was mailed to the post-
20 certification mailing list and posted on the
21 Commission's web page on December 23rd. And to
22 date we've had no comments at all.

23 Staff was able to make these findings.
24 The Air District approved the modifications and
25 issued a final permit to operate on December 4th

1 of 2003. The proposed changes do not alter the
2 presently allowed daily, quarterly or annual
3 emissions.

4 There will be no new or additional
5 unmitigated significant environmental impacts or
6 violation of LORS associated with these changes.
7 And the required findings of section 1769 can be
8 made. The petition meets all the filing criteria
9 required in section 1769.

10 And Commission Staff are recommending
11 that the Commission approve the petition and the
12 revisions to the air quality conditions of
13 certification.

14 Are there any questions?

15 COMMISSIONER BOYD: Mr. Chairman.

16 CHAIRMAN KEESE: Commissioner Boyd.

17 COMMISSIONER BOYD: I'm curious as to
18 why we didn't know or the Air District didn't know
19 what the performance rating of these turbines
20 would be when we first put them in place. This is
21 not a big deal, I'm just kind of curious. Is this
22 the first application of these turbines, these
23 particular turbines, in California? Or is there
24 some -- is this an artifact of some of the
25 engineering associated with the particular

1 installation?

2 MS. STONE: I would actually like to --
3 okay. Gary Rubenstein of Sierra Research is going
4 to answer those questions for you.

5 CHAIRMAN KEESE: Thank you.

6 COMMISSIONER BOYD: I hate to see Gary
7 in the audience and not get a chance to say
8 something, so.

9 (Laughter.)

10 MR. RUBENSTEIN: Thank you, Mr. Boyd.
11 This is not the first installation. I don't
12 believe that there was a question about the
13 electrical output rating, the petition for the
14 modifications related to cold steam turbine
15 startups. And this was a condition that was not
16 anticipated when any of the current generation of
17 plants was being licensed. And similar requests
18 for comparable changes have been filed for a
19 number of the early projects that were licensed by
20 the Commission.

21 COMMISSIONER BOYD: Okay. New
22 experience. Thanks.

23 CHAIRMAN KEESE: Thank you.

24 COMMISSIONER GEESMAN: Mr. Chairman, I'd
25 move the item.

1 CHAIRMAN KEESE: Okay.

2 MR. CHAMBERLAIN: Just for the record, I
3 take it Duke finds all of the changes, including
4 the new conditions, acceptable?

5 MS. STONE: Well, I haven't heard
6 anything to the contrary from them, so I'm
7 assuming yes.

8 MR. CHAMBERLAIN: Are you representing
9 Duke, Mr. Rubenstein?

10 MR. RUBENSTEIN: I wasn't planning on
11 it.

12 (Laughter.)

13 MR. RUBENSTEIN: But, we have reviewed -
14 - we have prepared the modification package that
15 was submitted to the Commission. We did review
16 the changes, and Duke has no objections to the
17 staff's additional conditions.

18 CHAIRMAN KEESE: Thank you, Mr.
19 Chamberlain. I have a motion from Commissioner
20 Geesman.

21 COMMISSIONER BOYD: Second.

22 CHAIRMAN KEESE: Second, Commissioner
23 Boyd. Any public comment on this item?

24 All in favor?

25 (Ayes.)

1 CHAIRMAN KEESE: Opposed? Adopted four
2 to nothing. Thank you very much. And, Mr.
3 Chamberlain, to alleviate your concern on item
4 number 7, we had proposed some conditions on item
5 6, also, that we're assuming that the licensee is
6 willing to comply with.

7 Item 8, Otay Mesa Generating Project,
8 99-AFC-5C, possible approval of petition to modify
9 conditions of certification to separate and
10 increase stack height of HRSG turbine, add duct
11 firing, auxiliary boiler and wet surface air
12 condenser.

13 Good morning.

14 MS. LEWIS: Good morning. My name is
15 Ila Lewis. I'm the Compliance Project Manager for
16 the Otay Mesa Generating Project.

17 Some background on Otay Mesa Generating
18 Project. It's a 570 megawatt combined cycle
19 natural gas fired power plant located in San Diego
20 County; certified in April of 2001. The project
21 employs air cooled condensing units instead of wet
22 cooling towers.

23 Construction started in September of
24 2002 and has subsequently been suspended except
25 for a few, some roadwork has been done, and a few

1 other areas that have been worked on.

2 Calpine submitted a petition on
3 September 28th of 2002 to modify the project by
4 separating and increasing the heights of the HRSG
5 stacks and adding duct firing, a small auxiliary
6 boiler, and a wet surface air condenser.

7 These modifications are designed to
8 improve the performance and reliability of the
9 project. This petition separates the previously
10 collated HRSG turbine stacks and increases the
11 stack height from 144 feet to 160 feet, which
12 results in improved access and ease of maintenance
13 for the HRSGs; improved air dispersion of plant
14 emissions; and a reduction in construction costs.
15 It also adds duct firing capability to the HRSGs
16 and eliminates power augmentation steam injection
17 from the gas turbines in order to improve plant
18 efficiency and increased maximum electrical
19 output.

20 In addition, it adds a small auxiliary
21 boiler that will operate only when the normal
22 steam cycle is not available during startup,
23 shutdown and maintenance periods. The boiler will
24 not be used during normal, average or peak power
25 production.

1 The petition revises air emission rates
2 including those related to startup and shutdown
3 operations to eliminate the limits on total
4 startup and shutdown hours per year, and to
5 increase the permitted emission rates for NOx, CO
6 and VOCs during startup and shutdown periods.

7 And finally, it adds a wet surface air
8 condenser to better cool auxiliary plant equipment
9 and reduce the volume of processed wastewater
10 discharged in the sewer main.

11 The agency coordination that took place
12 for air quality, staff worked closely with the San
13 Diego Air Pollution Control District during their
14 analysis process to insure consistency with the
15 final determination of compliance. The District
16 concurs with the staff analysis and mitigation.

17 For biology staff worked closely with
18 the U.S. Fish and Wildlife Service during the
19 biological opinion revision. The U.S. Fish and
20 Wildlife Service concurs with staff analysis and
21 mitigation.

22 Staff proposes the addition of
23 conditions of certification related to the
24 addition of the wet SAC; deletion of conditions
25 related to use of SCONox, since the SCR is now

1 being used; revisions to the definition of startup
2 and shutdown emission limits; and revisions to the
3 operating emissions with the addition of duct
4 firing.

5 Staff proposes to add conditions of
6 certification Bio-13 and Bio-14 to address any
7 future modeled nitrogen increases that may affect
8 the adjacent Quino checkerspot butterfly habitat
9 and the associated research endowment.

10 Staff proposed to modify table 1, major
11 structures and equipment, and facility design Gen-
12 2 to include the auxiliary boiler.

13 This notice of receipt was mailed to the
14 post-certification mailing list on October 7,
15 2002. The staff analysis was mailed to the
16 mailing list and posted to the CEC web site on
17 October 3, 2003. A revised staff analysis was
18 mailed and posted to the CEC web site on December
19 16, 2003. To date no agency or public comments on
20 the notice of receipt and staff analysis have been
21 received. An inquiry was made by the public, but
22 no comment was provided.

23 The proposed modifications were not
24 known to Calpine Corporation during the
25 certification proceedings, since Calpine acquired

1 Otay Mesa Generating Project in July of 2001,
2 approximately three months following the
3 certification.

4 The modifications will have no
5 unmitigated significant environmental impacts
6 because the existing air quality mitigation
7 package is sufficient to mitigate the revised
8 emission limits. The slight increase in HRSG
9 stack heights does not alter the visual impact
10 analysis or concludes that there's no impacts.
11 Any potential for future nitrogen deposition
12 impacts on biological resources are fully
13 mitigated.

14 The facility will remain in compliance
15 with all applicable laws, ordinances, regulations
16 and standards. The modifications will improve the
17 performance and reliability of the project.

18 Staff recommends that the Commission
19 approve Calpine's petition to modify the project,
20 and staff's recommended revisions to conditions of
21 certification for air quality, facility design and
22 biological resources.

23 CHAIRMAN KEESE: Thank you.

24 MS. LEWIS: Were there any questions?

25 CHAIRMAN KEESE: Any questions?

1 COMMISSIONER GEESMAN: I'd move the
2 item, Mr. Chairman.

3 CHAIRMAN KEESE: Motion, Commissioner
4 Geesman.

5 COMMISSIONER BOYD: Second.

6 CHAIRMAN KEESE: Second, Commissioner
7 Boyd.

8 CHAIRMAN KEESE: Any public comment?
9 I'm assuming that applicant is in agreement with
10 all the conditions that have been proposed by
11 staff?

12 MR. HARRIS: We agree with the staff's
13 conclusions and we find the conditions of
14 certification acceptable.

15 CHAIRMAN KEESE: Thank you.

16 All in favor?

17 (Ayes.)

18 CHAIRMAN KEESE: Opposed? Adopted four
19 to nothing. Thank you.

20 MS. LEWIS: Okay, thank you.

21 CHAIRMAN KEESE: Item 9, Conflict of
22 Interest Code. Possible approval of amendments to
23 update the list of designated employees and the
24 disclosure categories in Title --

25 MS. ICHIEN: That should be Title 20,

1 California Code of Regulations.

2 CHAIRMAN KEESE: -- Title 20, California
3 Code of Regulations, section 2402. Ms. Ichien.

4 MS. ICHIEN: Good morning, Chairman
5 Keese, Commissioners. I'm Arlene Ichien. The
6 Political Reform Act directs agencies to amend
7 their conflict of interest codes any time there
8 are changed circumstances.

9 And I received word that the Fair
10 Political Practices Commission, which is the
11 overseeing reviewing body of conflict of interest
12 codes, has received an exception to continue
13 reviewing these amendments, an exception from the
14 Governor's executive order.

15 The proposed amendments before you would
16 update the Energy Commission's conflict of
17 interest code. In particular they reflect the
18 reorganization of the divisions and offices; they
19 would update the positions that have to report
20 annually their economic interests; and they would
21 delete two disclosure categories that are no
22 longer relevant.

23 The rulemaking began last year pursuant
24 to the FPPC's rules, and with the approval of the
25 Budget Management Committee. It began on

1 Halloween, October 31, and began a 45-day public
2 review period which ended on December 15th of last
3 year.

4 The notice and proposed amendments were
5 also posted on the Commission's internet for 45
6 days. We received two comments from staff. One
7 comment pointed out a typographical error. And
8 another comment clarified how the divisions were
9 reorganized. And that comment doesn't necessarily
10 affect the proposed amendments, themselves.

11 And so I request approval of the
12 proposed amendments, and also the discretion to
13 make corrections as needed, or clarification as
14 may be requested by the FPPC.

15 CHAIRMAN KEESE: Thank you. This is a
16 formal proceeding. The statutory law has conflict
17 in provisions in it. But each agency is required
18 to have a similar document. And this is bringing
19 ours up to date. Do I have a motion?

20 COMMISSIONER BOYD: So moved.

21 CHAIRMAN KEESE: Motion, Commissioner
22 Boyd.

23 COMMISSIONER ROSENFELD: Second.

24 CHAIRMAN KEESE: Second, Commissioner
25 Rosenfeld.

1 CHAIRMAN KEESE: Any questions? Public
2 comment?

3 All in favor?

4 (Ayes.)

5 CHAIRMAN KEESE: Opposed? Adopted four
6 to nothing. Thank you.

7 Do I have a motion on the minutes?

8 COMMISSIONER GEESMAN: So moved.

9 CHAIRMAN KEESE: Motion, Commissioner
10 Geesman.

11 COMMISSIONER ROSENFELD: Second.

12 CHAIRMAN KEESE: Second, Commissioner
13 Rosenfeld.

14 All in favor?

15 (Ayes.)

16 CHAIRMAN KEESE: Opposed? Adopted four
17 to nothing.

18 Commission Committee and Oversight.

19 Chief Counsel's report.

20 MR. CHAMBERLAIN: Yes, Mr. Chairman.
21 I'm pleased to report that since the last meeting
22 the California Supreme Court has upheld the
23 Commission's decision to license the Palomar
24 Energy project. And I think that's all I have
25 today.

1 CHAIRMAN KEESE: Keeps our record clean
2 at 100 percent, right?

3 COMMISSIONER BOYD: Mr. Chairman, I have
4 to go back on the minutes. I've just noticed
5 perhaps an error.

6 CHAIRMAN KEESE: No?

7 COMMISSIONER BOYD: Well, it says
8 Commissioner Boyd led the Pledge of Allegiance.
9 Then it said Commissioner Boyd was absent. And so
10 I'd like the --

11 (Laughter.)

12 COMMISSIONER BOYD: I think I was here,
13 so I would like the minutes so modified to reflect
14 that.

15 COMMISSIONER GEESMAN: It's certainly
16 within the scope of my motion.

17 CHAIRMAN KEESE: On item 11 we will
18 amend the minutes to show Commissioner Boyd's
19 presence. Thank you.

20 Executive Director's report.

21 MR. THERKELSEN: Good morning,
22 Commissioners. Two quick items for you. We
23 submitted our performance evaluation to the
24 Resources Agency last week. The Agency will be
25 pulling together the input from all of the

1 departments within the Resource Agency and then
2 submitting their product to the Governor's Office
3 some time later on this week. We'll provide you a
4 copy of that document whenever we see that.

5 The other thing is coming up on Thursday
6 the Resources Agency has been asked to give a
7 briefing of its overall budget to members of the
8 legislative staff. I've been asked to go ahead
9 and represent the Energy Commission and do a brief
10 presentation on our budget proposal for 2004/2005.
11 And I'll be giving you a copy of my comments prior
12 to doing that.

13 I'd also like, if we can, to have a very
14 brief post business meeting discussion on an
15 organizational issue following this meeting.
16 We've got hearing room B available, if that's
17 acceptable to you.

18 CHAIRMAN KEESE: Thank you. That is.
19 We will, upon adjournment today, or prior to
20 formal adjournment, meet in hearing room B
21 immediately following.

22 Public Adviser's report.

23 MR. BARTSCH: Mr. Chairman, Members,
24 Nick Bartsch filling in for Margret Kim. Nothing
25 to report.

1 CHAIRMAN KEESE: Okay. Public comment?
2 Any member of the public wish to comment on our
3 proceedings or any other issue?

4 Seeing none, this meeting is adjourned
5 subject to our meeting in hearing room B.

6 (Whereupon, at 10:45 a.m., the business
7 meeting was recessed, to adjourn at
8 conclusion of post business meeting
9 discussion in hearing room B.)

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CERTIFICATE OF REPORTER

I, PETER PETTY, an Electronic Reporter,
do hereby certify that I am a disinterested person
herein; that I recorded the foregoing California
Energy Commission Business Meeting; that it was
thereafter transcribed into typewriting.

I further certify that I am not of
counsel or attorney for any of the parties to said
meeting, nor in any way interested in outcome of
said meeting.

IN WITNESS WHEREOF, I have hereunto set
my hand this 23rd day of January, 2004.

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345